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March 1990

United States General Accounting Office

Report to the Clerk of the House of
Representatives

FINANCIAL AUDIT

House Stationery
Revolving Fund
Statements—June 30,
1989 and 1988

94-20774



1488



United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-114862

March 29, 1990

The Honorable Donald K. Anderson
Clerk of the House of Representatives

Dear Mr. Anderson:

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As requested in your letter of April 3, 1989, we have audited the balance sheets of the House of Representatives Stationery Revolving Fund as of June 30, 1989 and 1988, and the related statements of operations and cash flows for the years then ended. We completed our audit work on November 30, 1989. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

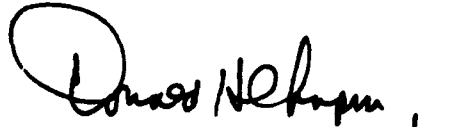
We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the House of Representatives Stationery Revolving Fund as of June 30, 1989 and 1988, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

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Our report on internal accounting controls and compliance with laws and regulations for the year ended June 30, 1989, together with the Fund's financial statements and accompanying notes for the fiscal years ended June 30, 1989 and 1988, is included in this report. We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Charles A. Bowsher". The signature is fluid and cursive, with a large initial "C".

Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have audited the financial statements of the House of Representatives Stationery Revolving Fund for the fiscal years ended June 30, 1989 and 1988. Our audits were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the fiscal year ended June 30, 1989. Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended June 30, 1988, is presented in GAO/AFMD-89-10, dated December 14, 1988.

As part of our audit, we made a study and evaluation of the Fund's system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements.

For the purpose of this report, we have categorized the significant internal accounting controls as receipts, disbursements, equipment, inventory, and receivables. Our study and evaluation included all of these control categories.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, management makes estimates and judgments required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition and (2) transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of internal accounting controls was made for the purpose described above in the second paragraph. It was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any categories of controls specifically identified, and it would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the Fund's system of internal accounting controls taken as a whole or on any of the categories of controls identified. However, our study and evaluation disclosed no condition that we believed to be a material weakness that would affect our expressing an opinion on the Fund's financial statements.

As part of our audit, we also tested the Fund's compliance with terms and provisions of 2 U.S.C. 46b-1 and 106-110 and regulations in the House of Representatives edition of the Congressional Handbook relating to service charges applicable to items sold to Members or staff for personal use. In our opinion the House of Representatives Stationery Revolving Fund complied with the terms and provisions of 2 U.S.C. 46b-1 and 106-110 and the just mentioned Congressional Handbook regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our audit, that caused us to believe that the Fund was not in compliance with the terms and provisions of 2 U.S.C. 46b-1 and 106-110 and the previously stated regulations for those transactions not tested.

Balance Sheets

	June 30,	
	1989	1988
Assets		
Current Assets		
Cash in U.S. Treasury	\$2,584,784	\$2,494,198
Petty cash	2,000	2,000
Accounts receivable	63,568	44,710
Merchandise inventory	1,320,329	1,255,588
Total current assets	3,970,681	3,796,496
Fixed Assets		
Equipment	237,899	257,894
Less accumulated depreciation	214,076	221,862
Total fixed assets	23,823	36,032
Total Assets	\$3,994,504	\$3,832,528
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$312,981	\$305,785
Deferred income	72,220	97,304
Total liabilities	385,201	403,089
Government Equity		
Contributed capital	1,600,000	1,600,000
Donated equipment (note 6)	5,000	5,000
Fund balance		
Balance at beginning of year	1,824,439	1,586,685
Net income	179,864	237,754
Balance at end of year	2,004,303	1,824,439
Total government equity	3,609,303	3,429,439
Total Liabilities and Government Equity	\$3,994,504	\$3,832,528

The accompanying notes are an integral part of these statements.

Statements of Operations

	Fiscal years ended June 30,	
	1989	1988
Revenue		
Net sales	\$8,255,237	\$8,139,634
Service charges	170,218	153,945
Miscellaneous income (note 4)	269	0
Total revenue	8,425,724	8,293,579
Operating Expenses (note 3)		
Cost of sales	8,227,236	8,034,775
Depreciation expense	17,235	20,793
Loss on accounts receivable	0	257
Miscellaneous expense (note 5)	1,389	0
Total operating expenses	8,245,860	8,055,825
Net income	\$179,864	\$237,754

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Fiscal years ended June 30,	
	1989	1988
Cash Flows From Operating Activities		
Net income	\$179,864	\$237,754
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	17,235	20,793
Purchase of equipment	(5,026)	(6,135)
Decrease (increase) in assets:		
Accounts receivable	(18,858)	6,593
Merchandise inventory	(64,741)	(47,006)
Increase (decrease) in liabilities:		
Accounts payable	7,196	(106,346)
Deferred income	(25,084)	9,753
Net cash provided by operating activities	90,586	115,406
Cash at beginning of year	2,496,198	2,380,792
Cash Balance at End of Year	\$2,586,784	\$2,496,198

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House of Representatives Stationery Revolving Fund, established July 17, 1947 (2 U.S.C. 46b-1), is administered by the Office Supply Service under the jurisdiction of the Clerk of the House of Representatives and is subject to the rules and regulations of the Committee on House Administration. The Office Supply Service furnishes House Members, committees, departments, and officers with stationery and supplies.

Office Supply Service operations are financed from the House of Representatives Stationery Revolving Fund and appropriations to the Clerk of the House and the Architect of the Capitol. All receipts from operations are deposited into the revolving fund and are available for operations. Employees' salaries and benefits and certain other benefits and services such as space, building repairs, maintenance, and utilities are paid from appropriated funds and are not charged to the revolving fund. (See note 3.)

Inventories are stated at cost using the weighted-average method of valuation.

Equipment purchased prior to fiscal year 1982 is depreciated over a 10-year life using the straight-line method with no salvage value. Equipment purchased in fiscal year 1982 and later years is depreciated over a 5-year life using the straight-line method with no salvage value.

A 10-percent service charge is added to all nonofficial sales, which consist primarily of sales to congressional staff.

Accounts receivable include amounts owed to the Office Supply Service at year-end by committees and officers of the House, and the value of merchandise returned to vendors for credit, replacement, or repairs.

Deferred income represents amounts to be recognized as revenue in subsequent periods when prepaid special order merchandise is delivered.

Cost of sales includes the value of obsolete and damaged merchandise written off and merchandise marked down and sold below cost.

Note 2. Purchase Order Commitments

Obligations for undelivered orders amounted to \$619,076 as of June 30, 1989, and \$603,492 as of June 30, 1988.

Note 3. Other Operating Costs

Certain costs of operating the Office Supply Service are not paid from the revolving fund. The costs related to space occupancy, building maintenance, lighting, and temperature control cannot be readily determined. Identifiable costs paid from appropriated funds for the fiscal years ended June 30, 1989 and 1988, follow.

Table 1: Identifiable Operating Costs Paid With Appropriated Funds

	Amount	
	1989	1988
Gross salaries	\$869,033	\$819,733
Government contributions	174,799	156,326
Equipment maintenance	43,992	46,931
Office supplies	32,618	23,605
Telephone service	4,150	5,587
Computer service	2,774	0
Property supply	1,084	1,468
Travel expense	0	128
Total	\$1,128,450	\$1,053,778

Note 4. Miscellaneous Income

The \$269 in miscellaneous income for 1989 consists of (1) fees charged to congressional staff members for handling bank checks returned generally because of insufficient funds and (2) service charges collected on prior-year sales which were converted from official to nonofficial sales.

Note 5. Miscellaneous Expense

For fiscal year 1989, supplies in the amount of \$1,389 were purchased and recorded in the miscellaneous expense account. In past years, such expenses were paid from appropriated funds.

Note 6. Donated Equipment

Computer equipment was donated by the United States Senate Stationery Room on May 23, 1988. The fair market value of this equipment was estimated to be \$5,000. At June 30, 1989, this equipment had not yet been installed or operated. Therefore, the fair market value was not depreciated for the years ended June 30, 1989 and 1988.